



**Director of
Central
Intelligence**

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National Intelligence Daily

***Wednesday
17 January 1979***

~~**Top Secret**~~

CO NID 79-014JX

17 January 1979

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SITUATION REPORTS

IRAN

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Iranian opposition leaders are planning massive peaceful demonstrations in Tehran for Friday. [redacted] Ayatollah Taleqani--a leading supporter of Khomeini--will lead the demonstrations. Khomeini's plans for returning to Iran remain vague.

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With the Shah having departed, the chances for the survival of Prime Minister Bakhtiar's government will be largely determined by Khomeini's next move; he has generally acted cautiously in the past. [redacted]

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Bakhtiar's government would almost certainly collapse if Khomeini returns soon. If he waits until his followers work out some understanding with Bakhtiar, it is possible that Bakhtiar could survive long enough to preside over an orderly transition. The immediate fate of Iran thus appears to hinge on Khomeini's decision.

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Khomeini's incentives for returning to Iran now are high--he may well be at the peak of his power and influence and probably believes his return would sweep away the Bakhtiar government. At the same time, he is probably concerned about the possibility of a move by the military. [redacted]

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The demonstrations on Friday will mark the end of the traditional 40-day mourning period since Ashura, the holiest day in Shia Islam. There is little doubt that the religious opposition will be able again to mobilize hundreds of thousands of marchers to celebrate the Shah's departure. [redacted] millions would turn out if Khomeini returns to Iran. [redacted]

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Some members of the opposition are becoming concerned by the prospect of Khomeini's return, fearing that secular leaders would be ignored if Khomeini establishes an Islamic republic. [REDACTED]

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These fears reflect the opposition leaders' recognition that, while they have some supporters among intellectual and professional groups, Khomeini commands the support of the masses. They hope that Khomeini can be persuaded to stay in exile until the emotions of the moment subside. [REDACTED]

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VIETNAM-KAMPUCHEA

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Kampuchean units have reportedly recaptured the port of Kompong Som, which fell to the Vietnamese on 10 January.

The loss of Kompong Som--the first major setback for the Vietnamese since they launched their offensive--almost certainly will be short-lived. The Vietnamese have fallen back, but are likely to send reinforcements. We believe the Kampucheans will withdraw into the nearby mountains rather than fight a set-piece battle with reinforced Vietnamese troops.

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The Kampucheans evidently are establishing a major base area in Pursat and Koh Kong Provinces, where the rugged terrain provides sanctuary and access to coastal areas for seaborne resupply.

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Kampuchean Vice Prime Minister for Foreign Affairs Ieng Sary has told third-country diplomats in Beijing (Peking) that Prime Minister Pol Pot and other leaders are still in Kampuchea organizing the resistance. Ieng Sary indicated he would return to Kampuchea or tour friendly countries when he leaves Beijing.

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A Pol Pot-oriented radio station began transmitting yesterday for the first time since the fall of Phnom Penh. The new "Voice of Democratic Kampuchea" apparently is located in China.

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[redacted]

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BRIEFS AND COMMENTS

USSR: Criticism of Yugoslavia on Indochina

Pravda yesterday accused the Yugoslav press of joining Western "slanderers" who charge Vietnam with invading Kampuchea. The sharply worded commentary introduces a new chill into Soviet-Yugoslav relations and raises doubts about any near-term summit between Presidents Tito and Brezhnev. [redacted]

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Although the article only criticized the media in Yugoslavia, the commentary applies as well to Romania, which has also supported Kampuchea. Even worse in Soviet eyes, both Yugoslavia and Romania have significantly improved their relations with China over the past year.

[redacted]
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Pravda's sharp criticism of Yugoslav journalists and its failure to mention the Romanian press probably reflects Moscow's aggravation at Belgrade's continued needling. The Romanians have thus far not returned to the subject after their initial criticism of the Vietnamese action. [redacted]

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The timing of the Soviet criticism also is significant. *Pravda's* comments follow a Soviet veto in the UN Security Council blocking a resolution calling for the withdrawal of Vietnamese military forces from Kampuchea. Support for the resolution by China, the non-aligned states, and the West underscored Moscow's isolation.

[redacted]
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[redacted]

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NICARAGUA: Possible Mediation Rebuff

President Somoza is likely to respond negatively by Friday's deadline to the international mediators' proposal for a plebiscite and transitional government. Somoza's military position continues to appear favorable and may be enhanced by the presence of OAS observers.

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Rather than outright rejection, Somoza will probably focus on the "inadequacies" of the proposal--such as a prohibition on voter preregistration--and on the "intransigence" of the Broad Opposition Front.

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Somoza's confidence has been increasingly bolstered by his belief that he can cope with the guerrillas and that the Broad Opposition Front, a collection of relatively moderate political groups, is dissolving. The political atmosphere does in fact seem to be becoming more radical with the threat of further defections from the Broad Front and the formation of a new, more leftist coalition, the National Patriotic Front.

By fostering this greater polarization and arguing that his regime is the "only alternative" to a Marxist guerrilla takeover, Somoza may hope to win US support. The Nicaraguan Foreign Vice-Minister has already "officially" asked the US what reforms Somoza could enact to improve relations with the US. He also advised the US that Somoza will remain in control during the next two years.

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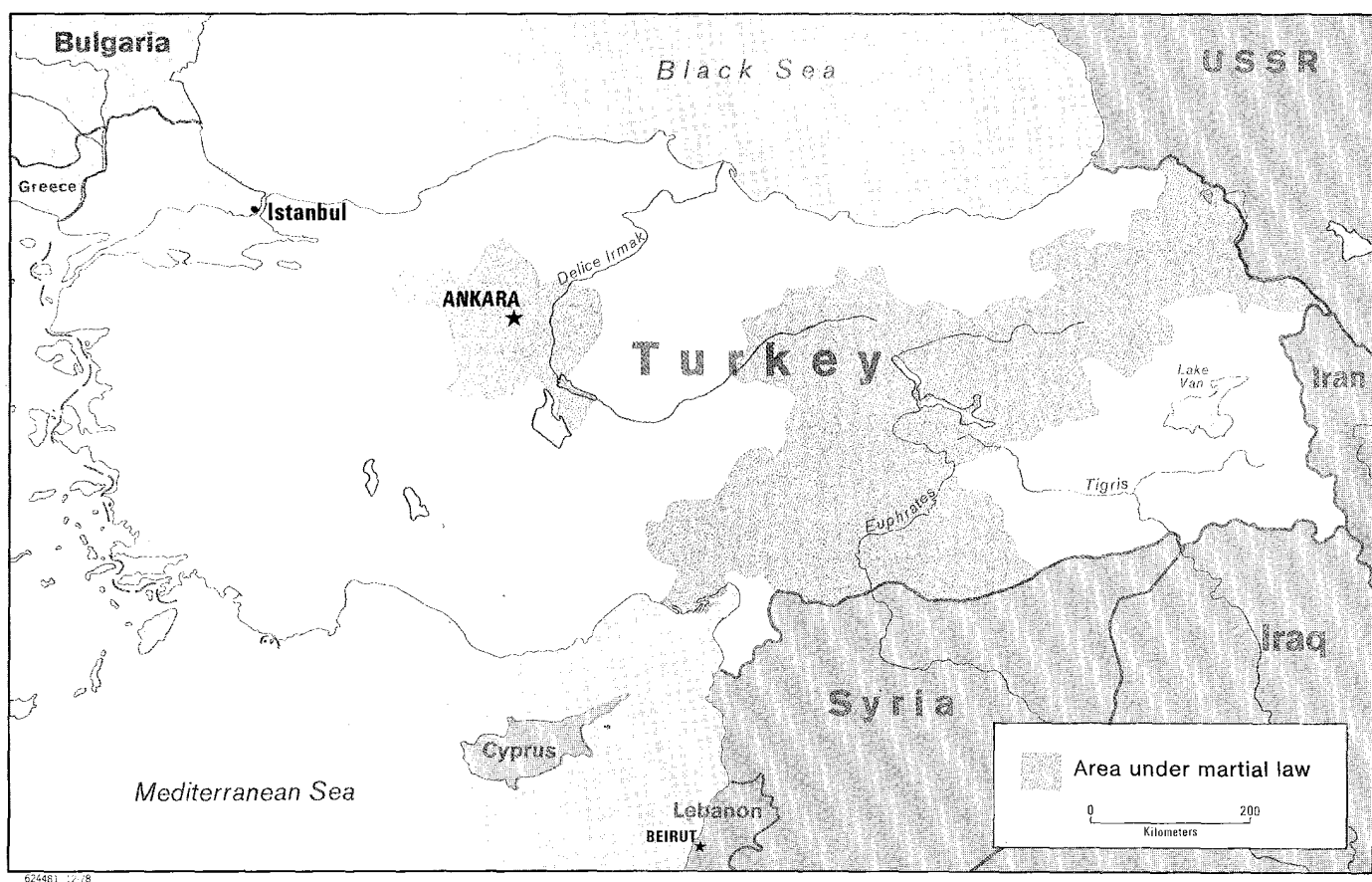
The military situation remains static--but in Somoza's favor. The imminent arrival of several OAS observers at the Costa Rica - Nicaragua border will complicate the guerrillas' access to sanctuaries in Costa Rica. The guerrillas appear to be less bold than they once were. If they continue to concentrate on urban harassment rather than strike at the more vulnerable National Guard outposts in rural areas, the military balance favoring Somoza is unlikely to change.

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TURKEY: Martial Law Continues

Martial law has reduced the violence in Turkey but politically motivated killings continue and a crisis atmosphere pervades much of the country. Far from uniting behind Prime Minister Ecevit, opposition political groups are actively seeking opportunities to topple him. Ecevit seems likely to survive for the time being, but even if he does Turkey's problems will remain severe.

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After three weeks, martial law is still relatively popular in Turkey. Although there has been some reduction of tension, the urban population is uneasy, and several hundred people have been arrested for violating restrictions. Troops have become an irritant to some and a reminder to all that Turkey is in a political crisis.

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Politicians have disregarded pleas for a common effort to maintain democratic stability. Justice Party leader Demirel now attacks nearly every facet of Ecevit's policy during daily news conferences. Many Justice Party leaders believe they will return to power this year, perhaps as early as March.

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Ecevit's Republican People's Party has become increasingly fractious; left- and rightwing rivals are capitalizing on his reduced popularity by demanding political concessions as the price for their continued loyalty. A skilled tactician, Ecevit has thus far fended off these rivals, who have yet to come up with an acceptable alternative.

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No matter how the current political struggle ends, Turkey is in for a long period of political and economic uncertainty. Martial law may temporarily cure some of the symptoms of the unrest, but the basic problems--including sectarian differences, a cumbersome educational system, high unemployment, and soaring inflation--persist and will present a serious obstacle to Turkish stability for some time.

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ISRAEL: View on Self-Government Plan

Most Israelis are increasingly skeptical that the plan for self-government in the West Bank and Gaza Strip that was worked out at Camp David can or should be implemented, according to an assessment by the US Embassy in Tel Aviv. The Embassy believes there is a general feeling in Israel that Prime Minister Begin's interpretation of the plan will be impossible to sell to the US or Egypt and that he is likely to come under strong pressure to make significant--and dangerous--concessions. The major political parties are starting to think about alternative solutions for the West Bank.

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Most Israelis, according to the Embassy, believe that a Palestinian self-governing authority with meaningful control over its own affairs will inevitably lead to a Palestinian state. In a recent poll, 60 percent of those queried agreed that "in the long run" this would happen. Begin's assurances that Israel would not allow a Palestinian state and would retain control over security, water rights, and settlement affairs apparently do not impress most Israelis.

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Hardliners in Israel's ruling coalition are attempting to get the cabinet to spell out its view of the self-governing authority before negotiations with Egypt are resumed. Some rightwing legislators recently submitted a bill--apparently designed to prevent Begin from making concessions--calling for Israeli trusteeship over West Bank water and state lands.

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The opposition Labor Party, which once supported the self-governing plan, is beginning to have doubts and is offering a compromise solution--under which populated areas of the West Bank would be returned to Jordan and strategic areas around the Jordan Valley would be retained. Other political parties are also seeking alternatives but, apart from a general belief that the framework outlined at Camp David would not work, there is little agreement.

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UK: Commons Debate and Strike Situation

Britain's minority Labor government last night defeated by a vote of 301 to 277 a Conservative-sponsored motion to adjourn the House of Commons, a maneuver by the Tories to show disapproval of Labor's economic policy without precipitating the fall of the government. Support from three minor parties--the Scottish and Welsh Nationalists and the Ulster Unionists--ensured victory for Prime Minister Callaghan.

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The Tories no doubt concluded they lacked the votes to bring down the government on a confidence motion and may also have been hesitant to force a general election so long as a further worsening of Labor's position is possible. The strike situation combined with the pay policy defeats in Parliament last month have dimmed Callaghan's prospects for keeping a lid on inflation and have weakened Labor's claim to be the party most capable of dealing with the unions.

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The economic impact of the truck drivers' strike has intensified steadily since last week. The government and the truckers' union have agreed to permit certain essential goods to be transported, but there are conflicting reports as to just how much is being delivered and whether the drivers are honoring the agreement.

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many employers are on the verge of caving in to workers' demands for a 22 to 25 percent wage increase. According to a union spokesman, the strike could be settled in a few days if the government were to stay out of the negotiations. Spokesmen for the truck owners' association, however, point out that their offer of a 15 percent boost is far in excess of government guidelines and have refused to concede.

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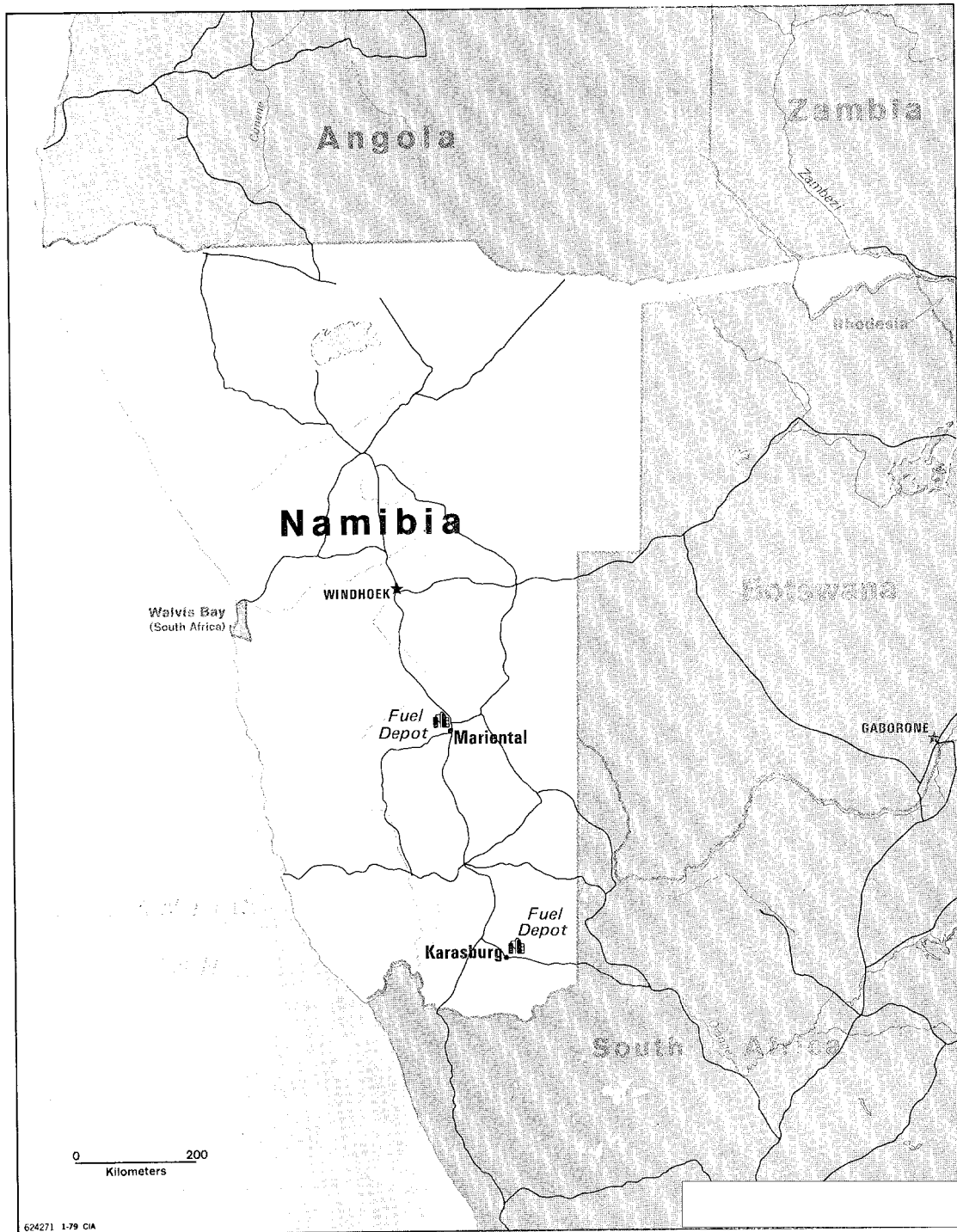
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Since the majority of goods is shipped by truck, a prolonged strike will have serious repercussions for the British economy and the stability of the Callaghan government. A settlement which meets union terms could touch off a spiral of wage demands from other sectors, some of which already have announced strike plans to back up their demands.

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BULGARIA: Brezhnev Visit

President Brezhnev continues his visit at a resort near Sofia. He may use his Bulgarian platform to issue a major foreign policy announcement, perhaps including remarks about China and the need for bloc unity. On Brezhnev's arrival in Sofia, he seemed extremely tired, his face heavily lined and his speech slow and slurred. His doctors may well have advised him to leave Moscow for a rest. Brezhnev is accompanied by newly elected Politburo member Konstantin Chernenko. In the past year Chernenko has frequently been present during Brezhnev's talks with East European leaders and may be assuming greater responsibilities for bilateral party relations.

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SOUTH AFRICA: Fuel Depots in Namibia

South Africa is building two fuel depots in Namibia for military convoys in the event of an increased threat by guerrillas of the South-West Africa People's Organization in the Angolan border area. The depots, next to key highways near Karasburg and Mariental, will accommodate small security and support contingents. In recent months, South Africa has strengthened its military forces assigned to northern Namibia and has refined contingency plans for airborne attacks on SWAPO camps in Angola and Zambia, but we have no evidence that South Africa expects to implement these plans any time soon.

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ISRAEL: Commando Raid

The US Defense Attache in Tel Aviv believes the Israeli attack Monday night on a Palestinian commando base near Tyre in southern Lebanon may have been a "routine action spurred by intelligence" rather than a reprisal for the terrorist incident at Maalot Saturday. An Israeli commando team Monday night destroyed a house thought to have been a terrorist haven while Israeli patrol boats exchanged fire with Palestinian artillery located in a nearby refugee camp. The Israelis have acknowledged the raid, but assert that it was not in retaliation for the Maalot incident. If this is the case, another Israeli attack against Palestinian facilities in southern Lebanon will likely take place soon.

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GREENLAND: Home Rule

Greenland's voters are expected to approve home rule in a referendum today. Denmark will continue to handle most foreign policy matters, including the island's relations with NATO. The small US-NATO presence has not generated local opposition as part of the drive for self-determination, and none is likely to develop. Danish subsidies will continue to provide a substantial portion of the island's income; exploratory oil drilling produced nothing and has been suspended. Greenland, unless given special exceptions on fisheries policies, could decide to withdraw from the EC, following the example of the Faeroe Islands, which have home rule under Danish sovereignty.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Iraq-US

In a front-page editorial yesterday, the Baath Party newspaper termed the current visit of US F-15s to Saudi Arabia a "provocation and a cover for other intervention." It also warned against alleged US efforts to exploit regional instability and claimed that Baghdad is maintaining a neutral position on events in Iran. The US Interests Section in Baghdad comments that the style and tone of the editorial, combined with its discussion of substantive issues previously avoided by Iraqi media, suggest it was written, or at least cleared, at the highest level. [REDACTED]

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NATO

Dutch Foreign Minister Van Der Klaauw, responding to a question in parliament, has publicly complained of the "incorrect French attitude" in failing to inform its EC partners about the Guadeloupe summit. He asserted that his government did not consider itself bound by any agreements reached there. The US Embassy comments that Van Der Klaauw's statement is much sharper than his private remarks to Ambassador Joseph on 3 January. The US Mission at NATO reports that permanent representatives to the alliance will meet privately today for further talks on the Guadeloupe summit. Yesterday's session was postponed, apparently at the request of the Italian delegation. [REDACTED]

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USSR-Japan

The US Embassy in Moscow reports it has learned from a Japanese diplomat that Soviet Deputy Foreign Minister Firyubin earlier this month suggested that March would be a good time for his official visit to Japan. Firyubin had postponed the visit following the signing of the Sino-Japanese peace and friendship treaty last August. The Embassy comments that Moscow's more positive stance on relations with the Japanese has probably been strongly influenced by the normalization of Sino-US relations, but adds that it does not expect any early, dramatic progress in Soviet-Japanese ties. According to the Japanese diplomat, Tokyo would be willing to sign a long-term economic agreement with the USSR only if President Brezhnev or Premier Kosygin were prepared to pay an official visit to Japan.

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Bolivia

The new cabinet announced yesterday includes most of those in the previous government of President Padilla, which had resigned en bloc Monday night. The US Embassy comments that the episode appears to be a purely military affair reflecting institutional strains developing since the coup of late November that ousted the government of Juan Pereda. Some senior military officers apparently had been disturbed by the fact that younger officers serving in the cabinet--three lost their posts yesterday--were too liberal in pushing reforms aimed at restoring civilian rule through the elections still set for 1 July.

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El Salvador

Groups from the United Popular Action Front yesterday simultaneously occupied the Mexican Embassy, the headquarters of the OAS, and--for a brief period--the office of the International Red Cross in San Salvador. According to the press, the FAPU took hostages, demanded the release of political prisoners, publication of an antigovernment manifesto, and a general amnesty.

COMMENT: FAPU is the leftist front for the Armed Forces for National Resistance, the country's second largest terrorist group. It specializes in kidnappings and currently holds three foreign businessmen. Occupation of foreign offices has been a highly successful FAPU publicity tactic. The police generally do not interfere, and past occupations have ended peacefully. The inclusion of the Mexican Embassy is designed to embarrass President Romero, who is scheduled to visit Mexico later this week.

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